

## Message Text

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ACTION ARA-10

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FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 6531

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E.O. 11652: N/A

TAGS: EAID, EAGR, AR, BL

SUBJECT: BOLIVIAN WHEAT FY 76 REQUIREMENTS

REF: STATE 096380

SUMMARY. BOLIVIA AT PRESENT WELL SUPPLIED WITH WHEAT AND FLOUR. HEAVY UNOFFICIAL FLOUR IMPORTS FROM ARGENTINA SINCE FIRST OF YEAR HAVE COINCIDED WITH ARRIVAL IN PORTS OF LARGE QUANTITIES OF WHEAT FROM ARGENTINA, EEC AND U.S. AND MAY-JUNE DOMESTIC HARVEST. RADIO NEWS REPORTED FBIS AND REFTTEL REFLECTS IN GARBLED FORM ACTIONS TAKEN BY GOB TO COUNTER ALLEGED "OVERSUPPLY" OF FLOUR. END SUMMARY.

1. AFTER SEVERE FLOUR SHORTAGES IN JANUARY - FEBRUARY, 1974 GOB TEMPORARILY SUSPENDED CONTROLS IT HAD EXERCISED OVER VARIOUS FOOD IMPORTS INCLUDING WHEAT AND FLOUR. THIS FREE IMPORT DECREE WORKED VERY WELL TO STIMULATE FLOUR IMPORTS, ESPECIALLY INCREASING QUANTITIES FROM ARGENTINA SINCE USING BLACK MARKET ARGENTINE PESOS IMPORTERS STOOD TO MAKE LARGE PROFITS. ARGENTINA AND BRAZILIAN FLOUR HAS BEEN AVAILABLE IN SOUTHERN DEPARTMENTS OF BOLIVIA AND RECENTLY AS FAR NORTH AS LA PAZ AT BELOW OFFICIAL PRICE FOR BAKERS OF \$B300 PER HUNDRED WEIGHT.

2. NOW PAST ACTIONS OF GOVERNMENT ARE RESULTING IN ARRIVALS OF LARGE QUANTITIES OF FOREIGN WHEAT AND FLOUR JUST AT TIME OF MAY-JUNE DOMESTIC WHEAT HARVEST IN TRADITIONAL AREAS. 45,000 METRIC TONS OF WHEAT WERE IN CHILEAN AND PERUVIAN PORTS BY MID-APRIL. THIS COMPOSED OF GOB WHEAT PRUCHASES OF 37,000 M.T. UNDER AGREEMENT WITH UNCLASSIFIED

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ARGENTINA AND OF 13,000 M.T. FROM CARGILL IN US PLUS 5,000 M.T.

DONATION RECEIVED FROM EEC. GOB ALSO IS NOW TAKING STEPS TO IMPLEMENT LONG-STANDING AGREEMENT WITH ARGENTINE GRAIN BOARD TO BUY 48,000 M.T. ON WHEAT FLOUR. GOB DECREE APRIL 24 AUTHORIZED US\$11,403,000. CREDIT TO FINANCE PURCHASE. PRIVATE MILLERS FOR THEIR PART HAD AGREED LAST OCTOBER TO ACCEPT THESE SHIPMENTS AND ALSO TO BUY GREATER QUANTITY OF NATIONAL WHEAT PRODUCTION, 16,500 M.T. UP ONE-THIRD FROM PAST AVERAGE.

3. FREE IMPORT DECREE WAS DUE TO EXPIRE MAY 22 BUT WITH VOCAL SUPPORT OF CAMPESINO ORGANIZATIONS MILLERS SUCCESSFULLY PRESSURED GOB TO ISSUE DECREE APRIL 4 BANNING FURTHER FLOUR IMPORTS TO TARIJA, CHUQUISACA AND POTOSI. THESE THREE DEPARTMENTS RECEIVED GREATEST FLOUR IMPORTS AND ARE ALSO AREAS OF GREATEST NATIONAL WHEAT PRODUCTION. DECREE GAVE DEALERS UNTIL MID-MAY TO SELL THEIR STOCKS OR TRANSFER THEM TO OTHER PARTS OF COUNTRY. GOB THREATENS TO CONFISCATE DEALERS' STOCKS OF FOREIGN FLOUR THEREAFTER. THEORETICALLY FLOUR CAN BE FREELY IMPORTED INTO OTHER BOLIVIAN DEPARTMENTS UNTIL ORIGINAL FREE IMPORT DECREE RUNS OUT BUT WE UNDERSTAND THAT THAT DECREE WILL NOT BE REVIEWED UNTIL COUNTRY'S WHEAT/FLOUR STOCKS AGAIN DECLINE.

4. COMMENT. ONCE AGAIN BOLIVIAN CAPABILITY TO PROVIDE EVEN FLOW OF ESSENTIAL GOODS TO URBAN MARKETS HAS BEEN DEFICIENT. HAPPILY ON THIS OCCASION COUNTRY HAS ENDED UP WITH ABUNDANCE. IF AS WE ESTIMATE 12,000 M.T. OF FLOUR NOW BEING HELD AS STOCK AND IF DELIVERIES UNDER ARGENTINE FLOUR PURCHASE MADE WITH HITCH, EMBASSY BELIEVES THAT BOLIVIAN WHEAT/FLOUR CONSUMPTION NEEDS FOR MAY TO DECEMBER, 1975 OF 104,643 M.T. FLOUR (OR 144,150 M.T. WHEAT EQUIVALENT) WILL BE MET BY PRESENT AVAILABILITIES. ONE WEAKNESS IN ESTIMATE IS THAT MILLERS MAY NOT BUY AS MUCH NATIONAL WHEAT AS PROGRAMMED, ESPECIALLY SINCE THERE IS NO EVIDENCE THAT CAMPESIONS WILL OFFER MORE TO MARKET THAN IN PREVIOUS YEARS. SMALL SUPPLY DEFICIT IF ANY WILL PROBABLY BE MET BY SOME CONTINUED CONTRABAND IMPORTS FROM ARGENTINA WHICH WILL CONTINUE TO BE PROFITABLE IF LESS LUCRATIVE.  
STEDMAN

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